

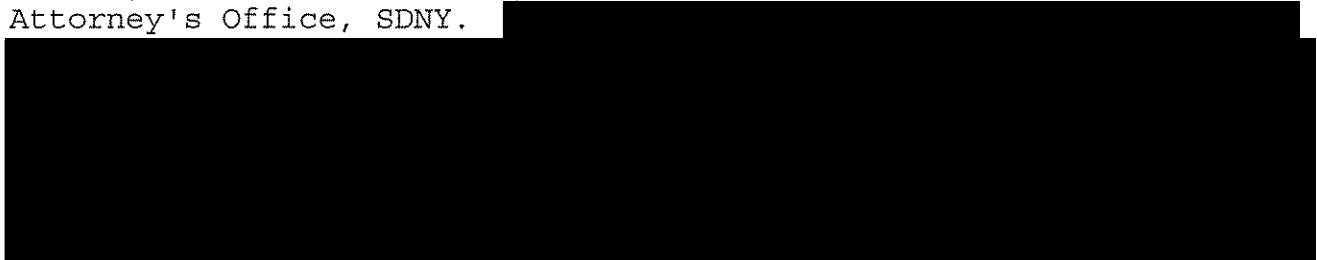
EXHIBIT B

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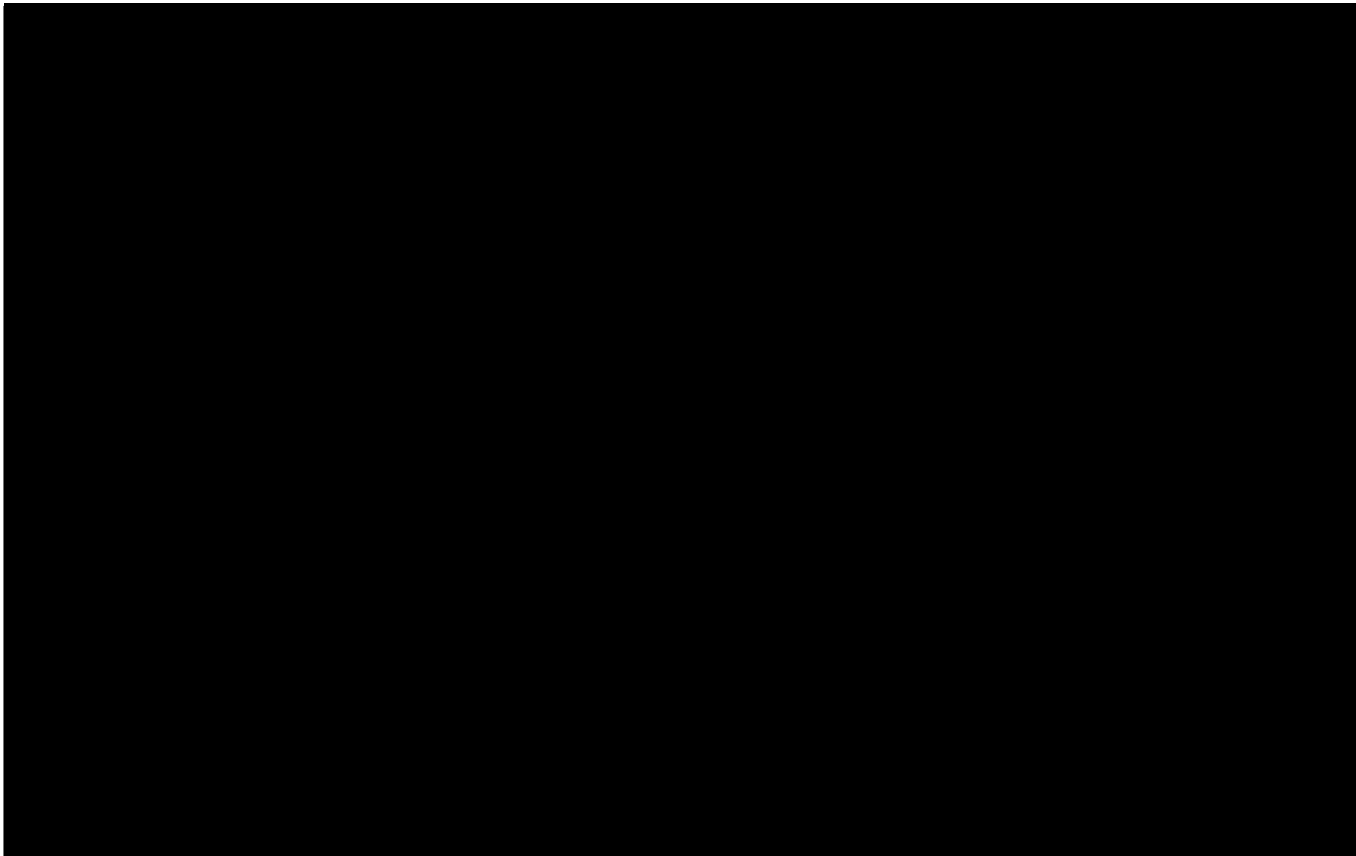
FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/18/2008

BERNARD MADOFF was interviewed pursuant to a proffer agreement in the presence of his attorneys Daniel Horowitz, Ira Sorkin, and Nicole DeBello, at the offices of the United States Attorney's Office, SDNY.



In addition to the standard SDNY proffer agreement, an analogous SEC civil agreement was executed. MADOFF provided the following information:



Investigation on 12/16/2008 at New York, NY

File #  Date dictated _____

by _____

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[REDACTED]

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[REDACTED]

[REDACTED]

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[REDACTED]

Since the inception of BLMIS MADOFF has managed a retail business associated with the firm. The business was initially quite small. When MADOFF first started the retail business most of the accounts were discretionary. MADOFF would, however, still generally consult clients with trade decisions prior to execution. The retail business grew and by the 1970s MADOFF was paying ridiculously high returns, in the range of 30% 50 40% per year, in order to attract business. At the time these rates of return were not unheard of at legitimate firms.

When MADOFF first began the retail business he did initially engage in some actual trades. Soon, however, he began to engage in fraud as to the entire retail business. He stopped engaging in any actual trading. For virtually the entire life of the retail business MADOFF simply did not trade and sent investors false account statements and false trade confirmations.

[REDACTED]

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[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED] The fraud entailed MADOFF taking in funds from investors, holding those funds, and paying them out to investors seeking redemptions. It was essentially a Ponzi scheme. Customers received both monthly account statements and trade confirmation reflecting trades the never took place. MADOFF began engaging in fraud in earnest in the 1970s. The 1980s saw a large expansion in the retail (i.e. fraudulent) portion of the business. As there was no actual trading, nothing cleared through DTCC or any clearing firm, and the only records of the purported trades are the paper confirmations.

[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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When MADOFF began a retail business in about 1960 he had about a dozen clients all of whom were family and friends. The retail business morphed into a fraud as time went by. In 1962 MADOFF's retail business was wiped out in the new issue collapse. All his clients lost virtually their entire investment, which amounted to a total of about \$30,000. MADOFF felt he had to pay them back, so he borrowed \$30,000 from his father in law to do so. His father in law was not pleased by this development. MADOFF was able to pay all these clients back and start the market making business. At about this time he took in new retail clients. These clients were also family and friends. He began to falsely report returns of 30% to 40% annual to these customers. All or virtually all of these accounts were discretionary and MADOFF had power of attorney over them.

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[REDACTED]

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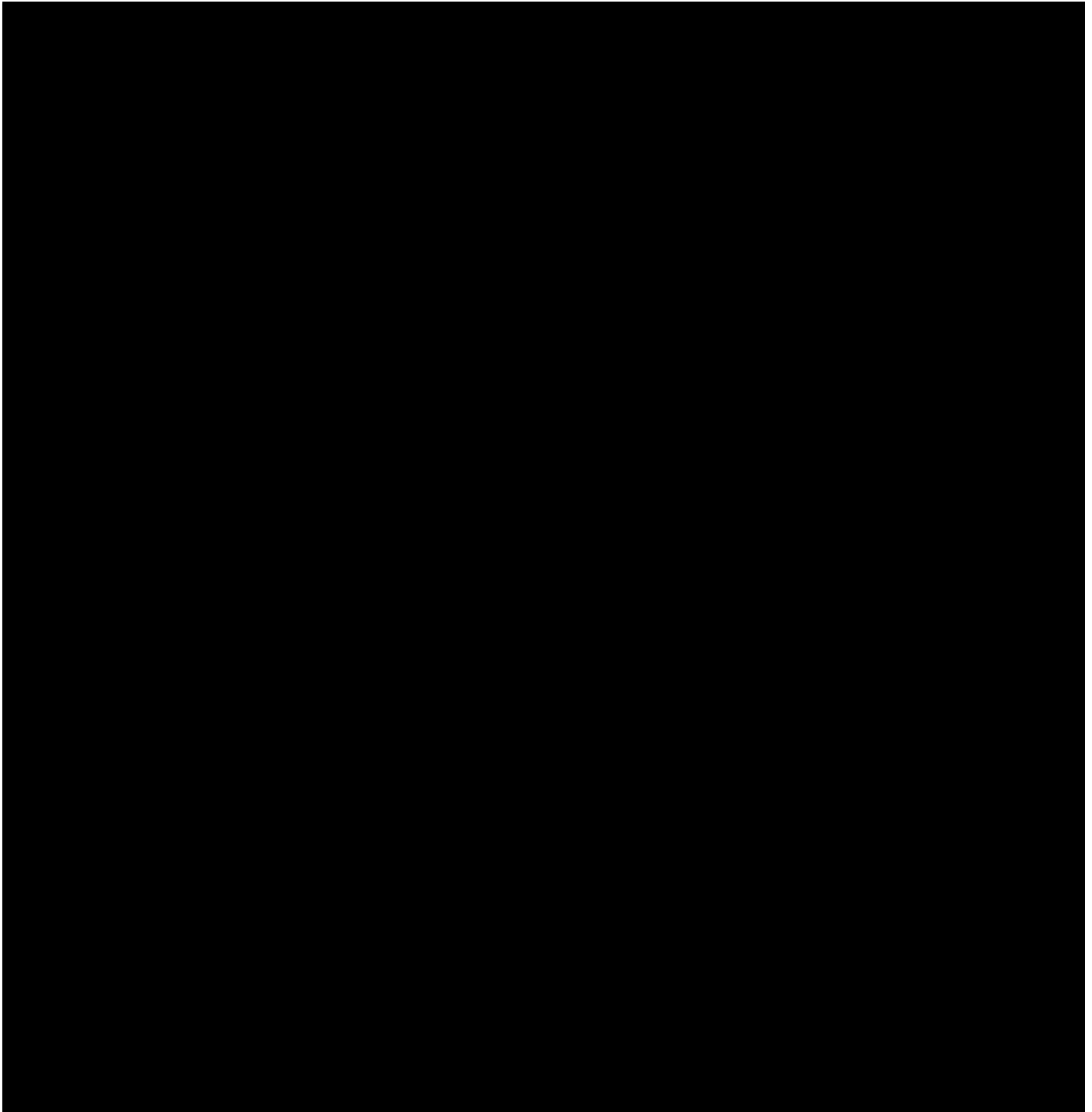
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